

DENISON COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

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Denison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2006 Election)</b>		
Rod Bradley	President	2006
Craig Dozark	Vice President	2006
Brenda Martens	Board Member	2007
Kris Rowedder	Board Member	2008
Mark Johnson	Board Member	2008
<b>Board of Education (After September 2006 Election)</b>		
Rod Bradley	President	2009
Brenda Martens	Vice President	2007
Les Lewis	Board Member	2009
Kris Rowedder	Board Member	2008
Mark Johnson	Board Member	2008
<b>School Officials</b>		
Mike Pardun	Superintendent	2007
Larry Struck	Business Manager	2007
Ruth Frazier	District Secretary	2007
Terry Prickett	District Treasurer	2007
Mundt, Franck and Schumacher	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Denison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Denison Community School District, Denison, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denison Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

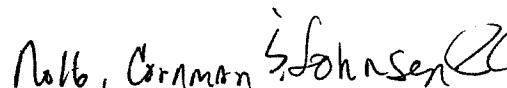
In accordance with Government Auditing Standards, we have also issued our reports dated February 29, 2008 on our consideration of Denison Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Denison Community School District's basic financial statements. We previously audited the financial statements for the previous two years ended June 30, 2006 while another auditor previously audited the financial statements for the year ended June 30, 2004, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMANN & JOHNSON, P.C.

February 29, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Denison Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$14,824,044 in fiscal 2006 to \$15,676,654 in fiscal 2007, while General Fund expenditures increased from \$14,380,262 in fiscal 2006 to \$15,076,901 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$768,528 in fiscal 2006 to a balance of \$1,375,652 in fiscal 2007, a 79.0% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in state and federal sources in fiscal 2007. The increase in expenditures was due primarily to increases in negotiated salaries and benefits as well as increases in expenditures funded by grants received by the District.
- Since the end of fiscal year 2005, the District's General Fund carryover balance has increased from \$319,667 to \$1,375,652 as of the end of fiscal year 2007.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Denison Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Denison Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Denison Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Denison Community School District Annual Financial Report**

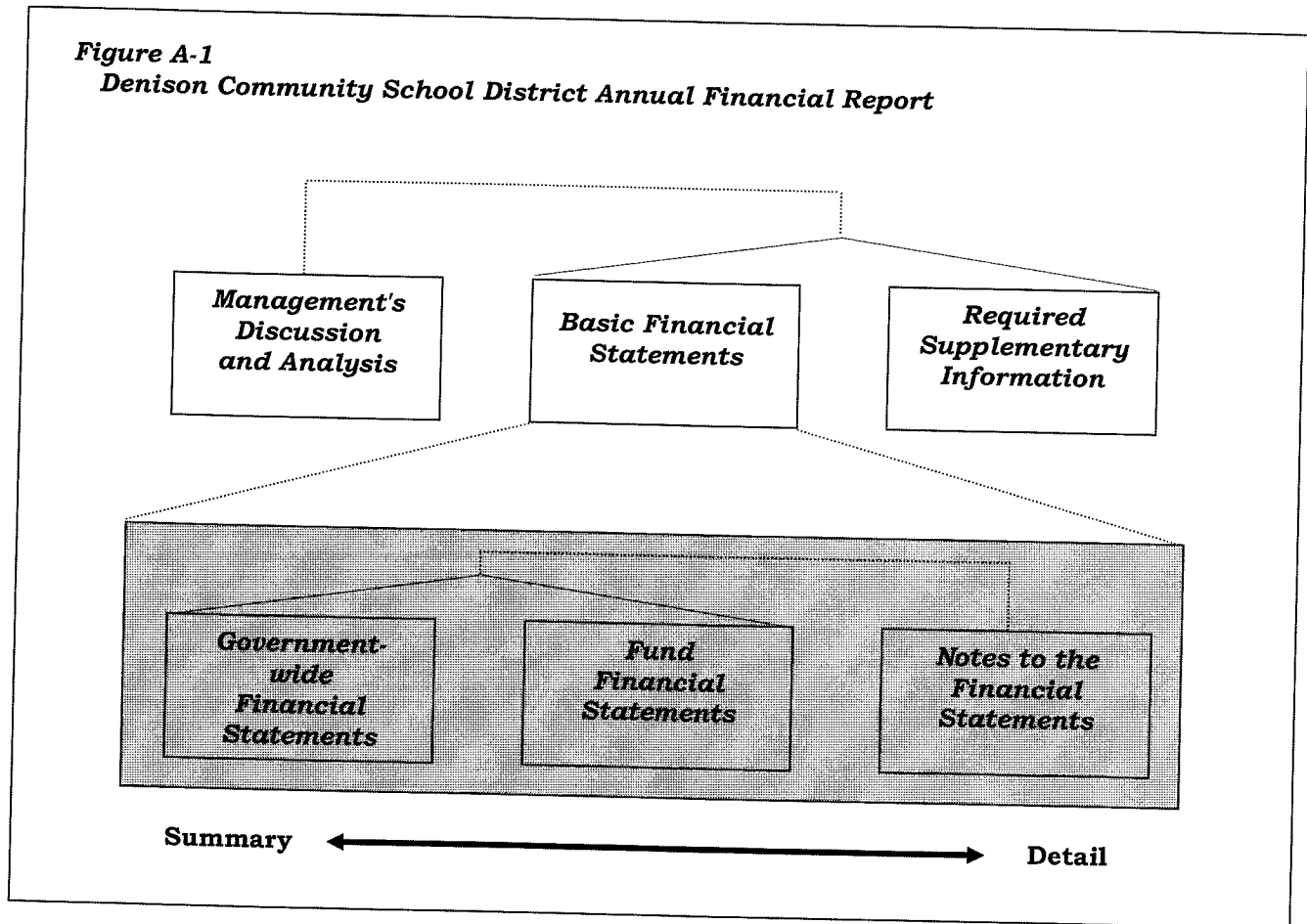


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. Another example is the Iowa Academic Decathlon.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 14,558,726	17,725,556	195,922	295,407	14,754,648	18,020,963	-18.13%
Capital assets	13,365,516	6,998,154	183,903	95,024	13,549,419	7,093,178	91.02%
Total assets	27,924,242	24,723,710	379,825	390,431	28,304,067	25,114,141	12.70%
Long-term obligations	8,739,303	9,230,341	0	0	8,739,303	9,230,341	-5.32%
Other liabilities	7,428,560	6,383,716	19,453	8,566	7,448,013	6,392,282	16.52%
Total liabilities	16,167,863	15,614,057	19,453	8,566	16,187,316	15,622,623	3.61%
Net assets:							
Invested in capital assets, net of related debt	7,892,369	6,998,154	183,903	95,024	8,076,272	7,093,178	13.86%
Restricted	2,295,881	1,320,446	0	0	2,295,881	1,320,446	73.87%
Unrestricted	1,568,129	791,053	176,469	286,841	1,744,598	1,077,894	61.85%
Total net assets	\$ 11,756,379	9,109,653	360,372	381,865	12,116,751	9,491,518	27.66%

The District's combined net assets increased by 27.66%, or \$2,625,233, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 73.87%, or \$975,435, over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$666,704, or 61.85%. This is due mainly to the increase in General Fund carryover balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 1,682,824	1,561,065	326,787	311,280	2,009,611	1,872,345	7.33%
Operating grants and contributions and restricted interest	2,390,780	2,075,241	599,462	549,650	2,990,242	2,624,891	13.92%
Capital grants and contributions and restricted interest	453,681	415,320	0	0	453,681	415,320	9.24%
General revenues:							
Property tax	3,938,652	3,453,148	0	0	3,938,652	3,453,148	14.06%
Local option sales and services tax	1,061,711	789,344	0	0	1,061,711	789,344	34.51%
Unrestricted state grants	8,700,581	8,130,088	0	0	8,700,581	8,130,088	7.02%
Other	688,880	564,396	8,872	9,141	697,752	573,537	21.66%
Total revenues	18,917,109	16,988,602	935,121	870,071	19,852,230	17,858,673	11.16%
Program expenses:							
Governmental activities:							
Instructional	10,451,550	10,078,560	0	0	10,451,550	10,078,560	3.70%
Support services	4,605,652	4,367,840	0	0	4,605,652	4,367,840	5.44%
Non-instructional programs	0	0	956,614	858,298	956,614	858,298	11.45%
Other expenses	1,213,181	915,585	0	0	1,213,181	915,585	32.50%
Total expenses	16,270,383	15,361,985	956,614	858,298	17,226,997	16,220,283	6.21%
Changes in net assets	2,646,726	1,626,617	(21,493)	11,773	2,625,233	1,638,390	60.23%
Beginning net assets	9,109,653	7,483,036	381,865	370,092	9,491,518	7,853,128	20.86%
Ending net assets	\$ 11,756,379	9,109,653	360,372	381,865	12,116,751	9,491,518	27.66%

In fiscal 2007, property tax and unrestricted state grants account for 66.81% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.05% of the revenue from business type activities.

The District's total revenues were approximately \$19.85 million of which \$18.92 million was for governmental activities and slightly more than \$0.93 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 11.16% increase in revenues and a 6.21% increase in expenses. Unrestricted state grants increased \$570,493 and local tax(property tax and local option sales tax) increased \$757,871 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

## Governmental Activities

Revenues for governmental activities were \$18,917,109 and expenses were \$16,270,383.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 10,451,550	10,078,560	3.70%	7,036,491	7,055,066	-0.26%
Support services	4,605,652	4,367,840	5.44%	4,547,470	4,329,020	5.05%
Other expenses	1,213,181	915,585	32.50%	159,137	(73,727)	315.85%
Totals	\$ 16,270,383	15,361,985	5.91%	11,743,098	11,310,359	3.83%

- The cost financed by users of the District's programs was \$1,682,824.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,844,461.
- The net cost of governmental activities was financed with \$3,938,652 in local tax, \$1,061,711 in local option sales and service tax, \$8,700,581 in state grants and \$529,653 in interest income.

## Business-Type Activities

Revenues of the District's business-type activity were \$935,121 and expenses were \$956,614. The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Denison Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,821,675, below last year's ending fund balances of \$11,196,077. However, the primary reason for the decrease in combined fund balances is because of costs associated with continuing construction of the new Denison middle school.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in state and federal source revenues resulted in an increase in revenues. The increase in salaries and benefits is one of the reasons for the increase in expenditures. The increase in revenues was enough to offset the increase in expenditures; the net result was an increase in fund balance from \$768,528 in fiscal 2006 to \$1,375,652 in fiscal 2007.
- The Capital Projects fund balance overall decreased from \$9,563,615 in fiscal 2006 to \$4,243,218 in fiscal 2007. The decrease in fund balance for this fund is the result of paying for construction for the new middle school building.

- The Special Revenue – Management Levy Fund balance increase from \$76,793 in fiscal 2006 to \$92,885 in fiscal 2007. When comparing revenues and expenditures for this fund for fiscal 2006 and fiscal 2007, both revenues and expenditures increased, but the increase in revenues outpaced the increase in expenditures thus ensuring the gain in fund balance.

### Proprietary Fund Highlights

The School Nutrition Fund's increase in federal revenues was not enough to offset the continued increase in food costs, and salaries and benefits. Overall, net assets decreased from \$381,865 at June 30, 2006 to \$360,372 at June 30, 2007, representing a decrease of 5.63%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$1,556,502 more than budgeted revenues, a variance of 8.61%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. During the year ended June 30, 2007, the District adopted one budget amendment increasing total expenditures by \$522,646.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$13,549,419, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 91.02% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$384,396.

The original cost of the District's capital assets was \$19,084,997. Governmental funds account for \$18,763,469 with the remainder of \$321,528 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$559,738 at June 30, 2006 as compared to \$6,868,502 at June 30, 2007. This increase is due to the continuing construction of the new middle school.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 183,780	183,780	0	0	183,780	183,780	0.00%
Construction in progress	6,868,502	559,738	0	0	6,868,502	559,738	1127.09%
Buildings	5,261,693	5,431,346	0	0	5,261,693	5,431,346	-3.12%
Land improvements	598,381	374,132	0	0	598,381	374,132	59.94%
Machinery and equipment	453,160	449,158	183,903	95,024	637,063	544,182	17.07%
Total	\$ 13,365,516	6,998,154	183,903	95,024	13,549,419	7,093,178	91.02%

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## Long-Term Debt

At June 30, 2007, the District had \$8,739,303 in general obligation, revenue, and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	4,840,000	5,000,000	-3.2%
Revenue bonds	3,700,000	4,000,000	-7.5%
Early retirement	199,303	230,341	-13.5%
Total	\$ 8,739,303	9,230,341	-5.3%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- For the District's certified enrollment on October 2006, a decline of 89 students on line 1 was experienced. This continuing decline needs to be stabilized to help maintain the District's financial health.
- Construction of the new middle school is expected to be completed during fiscal year 2008.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Larry Struck, Business Manager, Denison Community School District, 819 North 16<sup>th</sup> Street, Denison, Iowa, 51442.

## BASIC FINANCIAL STATEMENTS

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,545,554	0	1,545,554
Other	8,234,539	173,827	8,408,366
Receivables:			
Property tax:			
Delinquent	31,113	0	31,113
Succeeding year	3,471,746	0	3,471,746
Income surtax	414,425	0	414,425
Accounts	11,833	11,647	23,480
Accrued interest:			
ISCAP(Note 4)	462	0	462
Due from other governments	835,146	0	835,146
Inventories	13,908	10,448	24,356
Capital assets, net of accumulated depreciation(Note 5)	13,365,516	183,903	13,549,419
<b>TOTAL ASSETS</b>	<b>27,924,242</b>	<b>379,825</b>	<b>28,304,067</b>
<b>LIABILITIES</b>			
Accounts payable	902,959	5,352	908,311
Salaries and benefits payable	1,388,048	10,911	1,398,959
ISCAP warrants payable(Note 4)	1,548,000	0	1,548,000
ISCAP interest payable(Note 4)	387	0	387
ISCAP unamortized premium	11,486	0	11,486
Accrued interest payable	105,934	0	105,934
Deferred revenue:			
Succeeding year property tax	3,471,746	0	3,471,746
Unearned revenue	0	3,190	3,190
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	170,000	0	170,000
Revenue bonds payable	470,000	0	470,000
Early retirement payable	43,289	0	43,289
Portion due after one year:			
General obligation bonds payable	4,670,000	0	4,670,000
Revenue bonds payable	3,230,000	0	3,230,000
Early retirement payable	156,014	0	156,014
<b>TOTAL LIABILITIES</b>	<b>16,167,863</b>	<b>19,453</b>	<b>16,187,316</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,892,369	183,903	8,076,272
Restricted for:			
Professional development	2,202	0	2,202
Market factor	3,911	0	3,911
Talented and gifted	3,483	0	3,483
Physical plant and equipment levy	138,890	0	138,890
Capital projects	1,176,365	0	1,176,365
Debt service	737,224	0	737,224
Other special revenue purposes	233,806	0	233,806
Unrestricted	1,568,129	176,469	1,744,598
<b>TOTAL NET ASSETS</b>	<b>\$ 11,756,379</b>	<b>360,372</b>	<b>12,116,751</b>

SEE NOTES TO FINANCIAL STATEMENTS.



DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 5,722,426	530,422	1,633,881	0	(3,558,123)	0	(3,558,123)
Special instruction	1,794,185	585,230	115,909	0	(1,093,046)	0	(1,093,046)
Other instruction	2,934,939	549,617	0	0	(2,385,322)	0	(2,385,322)
	10,451,550	1,665,269	1,749,790	0	(7,036,491)	0	(7,036,491)
Support services:							
Student services	494,592	0	0	0	(494,592)	0	(494,592)
Instructional staff services	595,129	0	0	0	(595,129)	0	(595,129)
Administration services	1,403,400	0	0	0	(1,403,400)	0	(1,403,400)
Operation and maintenance of plant services	1,380,428	0	0	0	(1,380,428)	0	(1,380,428)
Transportation services	732,103	17,555	40,627	0	(673,921)	0	(673,921)
	4,605,652	17,555	40,627	0	(4,547,470)	0	(4,547,470)
Other expenditures:							
Facilities acquisitions	2,088	0	0	453,681	451,593	0	451,593
Long-term debt interest	391,265	0	0	0	(391,265)	0	(391,265)
AEA flowthrough	600,363	0	600,363	0	0	0	0
Depreciation (unallocated)*	219,465	0	0	0	(219,465)	0	(219,465)
	1,213,181	0	600,363	453,681	(159,137)	0	(159,137)
Total governmental activities	16,270,383	1,682,824	2,390,780	453,681	(11,743,098)	0	(11,743,098)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	956,614	326,787	599,462	0	0	(30,365)	(30,365)
Total	\$ 17,226,997	2,009,611	2,990,242	453,681	(11,743,098)	(30,365)	(11,773,463)
General Revenues:							
Property tax levied for:							
General purposes					\$ 3,488,188	0	3,488,188
Debt service					351,115	0	351,115
Capital outlay					99,349	0	99,349
Local option sales and services tax					1,061,711	0	1,061,711
Unrestricted state grants					8,700,581	0	8,700,581
Unrestricted investment earnings					520,781	8,872	529,653
Other					187,856	0	187,856
Transfers					(19,757)	0	(19,757)
Total general revenues					14,389,824	8,872	14,398,696
Changes in net assets					2,646,726	(21,493)	2,625,233
Net assets beginning of year					9,109,653	381,865	9,491,518
Net assets end of year					\$ 11,756,379	360,372	12,116,751

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments				
ISCAP(Note 4)	\$ 1,545,554	0	0	1,545,554
Other	2,484,723	4,496,313	1,253,503	8,234,539
Receivables:				
Property tax				
Delinquent	26,252	0	4,861	31,113
Succeeding year	2,917,818	0	553,928	3,471,746
Income surtax	414,425	0	0	414,425
Accounts	4,879	0	6,954	11,833
Accrued interest:				
ISCAP(Note 4)	462	0	0	462
Due from other governments	505,221	328,798	1,127	835,146
Inventories	13,908	0	0	13,908
<b>TOTAL ASSETS</b>	<b>\$ 7,913,242</b>	<b>4,825,111</b>	<b>1,820,373</b>	<b>14,558,726</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 257,426	581,893	63,640	902,959
Salaries and benefits payable	1,388,048	0	0	1,388,048
ISCAP warrants payable(Note 4)	1,548,000	0	0	1,548,000
ISCAP interest payable(Note 4)	387	0	0	387
ISCAP unamortized premium	11,486	0	0	11,486
Deferred revenue:				
Succeeding year property tax	2,917,818	0	553,928	3,471,746
Income surtax	414,425	0	0	414,425
Total liabilities	6,537,590	581,893	617,568	7,737,051
Fund balances:				
Reserved for:				
Construction	0	3,066,853	0	3,066,853
Professional development	2,202	0	0	2,202
Market factor	3,911	0	0	3,911
Talented and gifted	3,483	0	0	3,483
Inventories	13,908	0	0	13,908
Unreserved:				
Undesignated:				
General	1,352,148	0	0	1,352,148
Management levy	0	0	92,885	92,885
Physical plant and equipment levy	0	0	138,890	138,890
Capital projects	0	1,176,365	0	1,176,365
Debt service	0	0	737,224	737,224
Other special revenue purposes	0	0	233,806	233,806
Total fund balances	1,375,652	4,243,218	1,202,805	6,821,675
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,913,242</b>	<b>4,825,111</b>	<b>1,820,373</b>	<b>14,558,726</b>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

Total fund balances of governmental funds (page 15) \$ 6,821,675

*Amounts reported for governmental activities in the  
statement of net assets are different because:*

Capital assets used in governmental activities are not  
financial resources and, therefore, are not report as  
assets in in the governmental funds. 13,365,516

Accounts receivable income surtax, are not yet available  
to finance expenditures of the current fiscal period. 414,425

Accrued interest payable on long-term liabilities is  
not due and payable in the current period and, therefore,  
is not reported as a liability in the governmental funds. (105,934)

Long-term liabilities, including general obligation bonds,  
revenue bonds and early retirement, are not due and payable  
in the current period and, therefore, are not reported as  
liabilities in the governmental funds. (8,739,303)

Net assets of governmental activites (page 13) \$ 11,756,379

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 3,149,623	0	550,677	3,700,300
Local option sales and service tax	0	1,061,711	0	1,061,711
Tuition	1,089,459	0	0	1,089,459
Other	346,638	355,900	599,464	1,302,002
State sources	10,071,893	0	427	10,072,320
Federal sources	1,019,041	450,000	3,681	1,472,722
Total revenues	15,676,654	1,867,611	1,154,249	18,698,514
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	5,740,046	0	6,951	5,746,997
Special instruction	1,797,185	0	0	1,797,185
Other instruction	2,401,578	0	533,827	2,935,405
	9,938,809	0	540,778	10,479,587
Support services:				
Student services	497,592	0	0	497,592
Instructional staff services	596,334	0	0	596,334
Administration services	1,403,402	0	4,513	1,407,915
Operation and maintenance of plant services	1,310,201	0	77,784	1,387,985
Transportation services	730,200	0	0	730,200
	4,537,729	0	82,297	4,620,026
Other expenditures:				
Facilities acquisitions	0	6,456,320	128,593	6,584,913
Long-term debt:				
Principal	0	0	460,000	460,000
Interest and fiscal charges	0	0	315,641	315,641
AEA flowthrough	600,363	0	0	600,363
	600,363	6,456,320	904,234	7,960,917
Total expenditures	15,076,901	6,456,320	1,527,309	23,060,530
Excess(deficiency) of revenues over(under) expenditures	599,753	(4,588,709)	(373,060)	(4,362,016)
Other financing sources(uses):				
Transfer in	0	0	731,688	731,688
Transfer out	0	(731,688)	(19,757)	(751,445)
Sale of equipment and materials	7,371	0	0	7,371
Total other financing sources(uses)	7,371	(731,688)	711,931	(12,386)
Net change in fund balances	607,124	(5,320,397)	338,871	(4,374,402)
Fund balance beginning of year	768,528	9,563,615	863,934	11,196,077
Fund balance end of year	\$ 1,375,652	4,243,218	1,202,805	6,821,675

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ (4,374,402)

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense and loss on disposal in the current year, as follows:

Expenditures for capital assets	\$ 6,768,575	
Depreciation expense	<u>(361,727)</u>	6,406,848

The proceeds from the sale of equipment (\$7,371) are reported as revenue in the governmental funds. However, the cost of the equipment as well as the corresponding depreciation (\$32,115) is removed from the capital assets account in the Statement of Net Assets and offset against the sale proceeds resulting in a "loss on disposal of equipment" which is reported within the government-type expenses. Thus, more revenue is reported in the governmental funds than the Statement of Activities. (39,486)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are the following:

Repaid	460,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (75,624)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 238,352

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	<u>31,038</u>
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Changes in net assets of governmental activities (page 14) \$ 2,646,726

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2007

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 173,827
Receivables:	
Accounts	11,647
Inventories	10,448
Capital assets, net of accumulated depreciation(note 5)	183,903
TOTAL ASSETS	<u>379,825</u>
LIABILITIES	
Accounts payable	5,352
Salaries and benefits payable	10,911
Unearned revenue	3,190
TOTAL LIABILITIES	<u>19,453</u>
NET ASSETS	
Invested in capital assets	183,903
Unrestricted	176,469
TOTAL NET ASSETS	<u>\$ 360,372</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 326,787
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	323,647
Benefits	48,878
Services	1,625
Supplies	555,085
Depreciation	22,669
TOTAL OPERATING EXPENSES	<u>951,904</u>
OPERATING LOSS	<u>(625,117)</u>
NON-OPERATING REVENUES:	
Interest	8,872
State sources	11,467
Federal sources	587,995
TOTAL NON-OPERATING REVENUES	<u>608,334</u>
Net loss before other financing uses	(16,783)
Loss on asset disposal	<u>(4,710)</u>
Change in net assets	(21,493)
Net assets beginning of year	<u>381,865</u>
Net assets end of year	<u><u>\$ 360,372</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 313,041
Cash received from miscellaneous operating activities	6,441
Cash payments to employees for services	(361,614)
Cash payments to suppliers for goods or services	(506,654)
Net cash used in operating activities	<u>(548,786)</u>
Cash flows from non-capital financing activities:	
State grants received	11,467
Federal grants received	538,270
Net cash provided by non-capital financing activities	<u>549,737</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(116,258)</u>
Cash flows from investing activities:	
Interest on investments	<u>8,872</u>
Net decrease in cash and cash equivalents	(106,435)
Cash and cash equivalents at beginning of year	<u>280,262</u>
Cash and cash equivalents at end of year	<u><u>\$ 173,827</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (625,117)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	49,725
Depreciation	22,669
Increase in inventories	(1,543)
Increase in accounts receivable	(5,407)
Increase in accounts payable	1,874
Increase in salaries and benefits payable	10,911
Decrease in deferred revenue	(1,898)
Net cash used in operating activities	<u><u>\$ (548,786)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ 173,827</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$49,725.

SEE NOTES TO FINANCIAL STATEMENTS.



DENISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	Private Purpose Trust Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 30,840	13,574
Accounts receivable	0	1,000
Due from other governments	0	2,190
TOTAL ASSETS	<u>30,840</u>	<u>16,764</u>
LIABILITIES		
Accounts payable	0	774
Due to other groups	0	15,990
TOTAL LIABILITIES	<u>0</u>	<u>16,764</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 30,840</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 422
Contributions	2,000
Total additions	<u>2,422</u>
Deductions:	
Non-instructional programs:	
Scholarships awarded	3,339
Total deductions	<u>3,339</u>
Change in net assets before other financing sources	(917)
Other financing sources:	
Transfer in	<u>19,757</u>
Change in net assets	18,840
Net assets beginning of year	<u>12,000</u>
Net assets end of year	<u><u>\$ 30,840</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

DENISON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Denison Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served primarily includes the Cities of Denison, Kiron, Deloit, Iowa, and a small portion of rural Ida County and the predominate agricultural territory of Crawford County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Denison Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Denison Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Ida and Crawford County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District's proprietary funds are the Enterprise, School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current

period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.



At June 30, 2007, the District had investments in the Iowa Schools Joint Investment trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 3,649,034</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

**(3) Interfund Transfers**

The detail of transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 731,688
Private-Purpose Trust	Expendable Trust	19,757
Total		<u>\$ 751,445</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2007-08A	6/27/2007	6/27/2008	\$ 1,545,554	462	1,548,000	387

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments

on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006/07A	\$ 0	200,000	200,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2007-08A	4.500%	5.455%

##### (5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 183,780	0	0	183,780
Construction in progress	559,738	6,446,118	137,354	6,868,502
Total capital assets not being depreciated	743,518	6,446,118	137,354	7,052,282
Capital assets being depreciated:				
Buildings	9,232,945	10,327	0	9,243,272
Land improvements	620,380	263,734	0	884,114
Machinery and equipment	1,518,255	185,750	120,204	1,583,801
Total capital assets being depreciated	11,371,580	459,811	120,204	11,711,187
Less accumulated depreciation for:				
Buildings	3,801,599	179,980	0	3,981,579
Land improvements	246,248	39,485	0	285,733
Machinery and equipment	1,069,097	142,262	80,718	1,130,641
Total accumulated depreciation	5,116,944	361,727	80,718	5,397,953
Total capital assets being depreciated, net	6,254,636	98,084	39,486	6,313,234
Governmental activities capital assets, net	\$ 6,998,154	6,544,202	176,840	13,365,516

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 232,541	116,258	27,271	321,528
Less accumulated depreciation	137,517	22,669	22,561	137,625
Business-type activities capital assets, net	\$ 95,024	93,589	4,710	183,903

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:	
Regular	\$ 10,050
Other	5,229
Support services:	
Instructional services	670
Administration	2,320
Operation and maintenance	11,723
Transportation	112,270
	<u>142,262</u>
Unallocated depreciation	<u>219,465</u>
Total governmental activities depreciation expense	<u>\$ 361,727</u>

Business-type activities:

Food services	<u>\$ 22,669</u>
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(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 4,000,000	0	300,000	3,700,000	470,000
General Obligation Bonds	5,000,000	0	160,000	4,840,000	170,000
Early Retirement	230,341	3,258	34,296	199,303	43,289
Total	<u>\$ 9,230,341</u>	<u>3,258</u>	<u>494,296</u>	<u>8,739,303</u>	<u>683,289</u>

Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year	Bond Issue of May 1, 2006			
Ending June 30,	Interest Rates	Principal	Interest	Total
2008	3.750 % \$	470,000	144,590	614,590
2009	3.750	490,000	126,965	616,965
2010	3.800	505,000	108,590	613,590
2011	4.000	525,000	89,400	614,400
2012	4.000	545,000	68,400	613,400
2013	4.000	570,000	46,600	616,600
2014	4.000	595,000	23,800	618,800
Total		<u>\$ 3,700,000</u>	<u>608,345</u>	<u>4,308,345</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$400,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

#### General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006				
	Interest Rates	Principal	Interest	Total	
2008	4.25	% \$ 170,000	201,834	371,834	
2009	4.25	175,000	194,608	369,608	
2010	4.25	185,000	187,172	372,172	
2011	4.25	195,000	179,308	374,308	
2012	4.25	200,000	171,022	371,022	
2013	4.25	210,000	162,522	372,522	
2014	4.25	220,000	153,596	373,596	
2015	4.50	230,000	144,246	374,246	
2016	5.00	240,000	133,896	373,896	
2017	3.85	250,000	121,896	371,896	
2018	3.90	260,000	112,272	372,272	
2019	3.95	270,000	102,130	372,130	
2020	4.00	280,000	91,466	371,466	
2021	4.05	295,000	80,266	375,266	
2022	4.10	305,000	68,318	373,318	
2023	4.10	320,000	55,814	375,814	
2024	4.13	330,000	42,694	372,694	
2025	4.13	345,000	29,082	374,082	
2026	4.13	360,000	14,850	374,850	
Total		\$ 4,840,000	2,246,992	7,086,992	

#### Early Retirement

The District offers a voluntary early retirement plan to any full-time District employee who is presently covered by the District's insurance program, is presently under contract, has been with the District for ten or more years, and who on July 1 of the

retirement year is between the ages of fifty-five and sixty-four. certified and support staff employees. Employees must complete an application which is required to be approved by the Board of Education. The District provides a minimum benefit of \$75 per month for the monthly premiums for single and family health and major medical insurance coverage. Early retirement benefits paid during the year ended June 30, 20067, totaled \$34,296. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$560,800, \$530,332 and \$499,547 respectively, equal to the required contributions for each year.

**(8) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. District contributions to ISEBA for the year ended June 30, 2007 were \$1,263,126.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$600,363 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitment**

The District has entered into various contracts totaling \$9,007,573 for the construction of a new middle school. As of June 30, 2007, costs of \$6,196,557 had been incurred against the contracts. The balance of \$2,811,016 remaining at June 30, 2007, will be paid as work on the project progresses.



REQUIRED SUPPLEMENTARY INFORMATION



DENISON COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total	Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 7,153,472	335,659	7,489,131	7,169,389	7,169,389	319,742
Intermediate sources	0	0	0	5,000	5,000	(5,000)
State sources	10,072,320	11,467	10,083,787	9,501,405	9,501,405	582,382
Federal sources	1,472,722	587,995	2,060,717	1,400,000	1,400,000	660,717
Total revenues	18,698,514	935,121	19,633,635	18,075,794	18,075,794	1,557,841
Expenditures:						
Instruction	10,479,587	0	10,479,587	10,965,000	11,115,000	635,413
Support services	4,620,026	0	4,620,026	5,163,893	5,313,893	693,867
Non-instructional programs	0	951,904	951,904	850,000	1,072,646	120,742
Other expenditures	7,960,917	0	7,960,917	11,247,465	11,247,465	3,286,548
Total expenditures	23,060,530	951,904	24,012,434	28,226,358	28,749,004	4,736,570
Excess(Deficiency) of revenues over(under) expenditures	(4,362,016)	(16,783)	(4,378,799)	(10,150,564)	(10,673,210)	6,294,411
Other financing sources, net	(12,386)	(4,710)	(17,096)	5,000	5,000	(22,096)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures	(4,374,402)	(21,493)	(4,395,895)	(10,145,564)	(10,668,210)	6,272,315
Balance beginning of year	11,196,077	381,865	11,577,942	11,781,985	11,781,985	204,043
Balance end of year	\$ 6,821,675	360,372	7,182,047	1,636,421	1,113,775	6,476,358

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2007, the District adopted one budget amendment increasing total expenditures by \$522,646.

OTHER SUPPLEMENTARY INFORMATION

DENISON COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 96,185	245,619	177,600	519,404	734,099	1,253,503
Receivables:						
Property tax						
Current year delinquent	892	0	844	1,736	3,125	4,861
Succeeding year	100,000	0	81,594	181,594	372,334	553,928
Accounts	0	6,954	0	6,954	0	6,954
Due from other governments	0	1,127	0	1,127	0	1,127
TOTAL ASSETS	\$ 197,077	253,700	260,038	710,815	1,109,558	1,820,373
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 4,192	19,894	39,554	63,640	0	63,640
Deferred revenue:						
Succeeding year property tax	100,000	0	81,594	181,594	372,334	553,928
Total liabilities	104,192	19,894	121,148	245,234	372,334	617,568
Fund balances:						
Reserved for debt service	0	0	0	0	737,224	737,224
Unreserved	92,885	233,806	138,890	465,581	0	465,581
Total fund balances	92,885	233,806	138,890	465,581	737,224	1,202,805
TOTAL LIABILITIES AND FUND BALANCES	\$ 197,077	253,700	260,038	710,815	1,109,558	1,820,373

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Expendable Trust	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 100,213	0	0	99,349	199,562	351,115	550,677
Other	5,048	559,737	0	6,212	570,997	28,467	599,464
State sources	79	0	0	70	149	278	427
Federal sources	0	0	0	3,681	3,681	0	3,681
TOTAL REVENUES	105,340	559,737	0	109,312	774,389	379,860	1,154,249
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	6,951	0	0	0	6,951	0	6,951
Other instruction	0	533,827	0	0	533,827	0	533,827
Support services:							
Administration services	4,513	0	0	0	4,513	0	4,513
Operation and maintenance of plant services	77,784	0	0	0	77,784	0	77,784
Other expenditures:							
Facilities acquisition	0	0	0	128,593	128,593	0	128,593
Long-term debt:							
Principal	0	0	0		0	460,000	460,000
Interest and fiscal charges	0	0	0		0	315,641	315,641
TOTAL EXPENDITURES	89,248	533,827	0	128,593	751,668	775,641	1,527,309
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	16,092	25,910	0	(19,281)	22,721	(395,781)	(373,060)
OTHER FINANCING SOURCES(USES):							
Transfers in	0	0	0	0	0	731,688	731,688
Transfers out	0	0	(19,757)	0	(19,757)	0	(19,757)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	(19,757)	0	(19,757)	731,688	711,931
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES	16,092	25,910	(19,757)	(19,281)	2,964	335,907	338,871
FUND BALANCE BEGINNING OF YEAR	76,793	207,896	19,757	158,171	462,617	401,317	863,934
FUND BALANCE END OF YEAR	\$ 92,885	233,806	0	138,890	465,581	737,224	1,202,805

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 4,923	1,721	640	6,004
Musical	4,957	2,422	3,306	4,073
Drama rental	287	57	0	344
Vocal	2,391	12,983	11,458	3,916
Band	0	15,896	15,896	0
MS band	978	2,338	1,505	1,811
Athletics	43,705	95,144	85,072	53,777
MS athletics	0	5,783	5,783	0
Cross country	3,020	4,998	5,462	2,556
Art club	930	176	76	1,030
Baseball club	11,228	24,023	17,051	18,200
Basketball club	0	3,351	2,712	639
Football club	105	1,782	1,887	0
World language club	496	18	72	442
Boys golf club	2,299	2,647	3,755	1,191
Girl golf club	478	459	530	407
Health career club	2,826	155	125	2,856
Industrial arts club	422	136	0	558
Softball club	1,140	2,358	2,348	1,150
Gatorade	625	5,043	5,668	0
Boys tennis club	16	157	0	173
Girls tennis club	299	2,314	1,842	771
Track club	158	524	682	0
Volleyball club	2,163	8,289	8,392	2,060
Wrestling club	1,156	1,688	2,786	58
Boys soccer	0	2,438	2,275	163
Fitness center	6,770	17	6,619	168
Girls soccer	1,238	14,018	10,503	4,753
National honor society	(641)	641	0	0
Do something club	215	54	0	269
Multi-cultural club	285	12	0	297
Activity ticket	0	9,564	9,564	0
Academic decathlon	96	616	313	399
Armory pop fund	2,923	2,763	2,124	3,562
Girls basketball camp	1,681	12,354	12,165	1,870
Business 2000	45	297	51	291
Change	(60)	1,360	1,300	0

DENISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Cheerleaders	20	10,195	9,509	706
Concessions	(1,225)	44,353	43,128	0
Elementary activity	19,904	70,494	61,887	28,511
FCA	110	52	162	0
FFA Canada trip	12,458	4,895	18,834	(1,481)
FFA	138	64,575	45,971	18,742
Bowling club	0	1,453	603	850
Forensics	0	6,212	3,836	2,376
HS faculty pop	1,212	1,749	2,961	0
Insufficient checks	(246)	661	881	(466)
FCCLA	1,842	3,727	2,784	2,785
Interest	8,729	10,120	18,849	0
MS faculty pop	1,985	1,928	3,913	0
MS activity	8,974	44,166	37,698	15,442
Destin. Imagin.	1,858	62	379	1,541
HS pop fund	0	15,388	15,388	0
Students assist	3,272	2,025	5,159	138
Renaissance fun	1,324	147	0	1,471
Wr cheerleaders	177	613	646	144
Student ambassador	7,148	4,410	5,609	5,949
Student senate	7,208	16,202	17,524	5,886
Yearbook	2,675	1,877	1,667	2,885
Girls track	311	1,510	1,815	6
Elementary faculty pop	2,141	2,418	4,559	0
Elementary di	406	62	0	468
Middle school di	310	312	207	415
High school di	555	332	86	801
Builders club	77	0	77	0
MS concessions	406	588	729	265
Peer mediation	186	7	0	193
Java den	460	52	0	512
Elementary mentor	28,832	2,485	0	31,317
Community service	50	2	0	52
Class of 06	(1,472)	1,472	0	0
Class of 07	963	3,873	4,836	0
Class of 08	161	2,517	2,168	510
Class of 09	(207)	207	0	0
Total	\$ 207,896	559,737	533,827	233,806

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 30,434	48,369	65,229	13,574
Accounts receivable	147	1,000	147	1,000
Due from other governments	800	2,190	800	2,190
<b>TOTAL ASSETS</b>	<b>\$ 31,381</b>	<b>51,559</b>	<b>66,176</b>	<b>16,764</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 17,774	774	17,774	774
Due to other groups	13,607	15,990	13,607	15,990
<b>TOTAL LIABILITIES</b>	<b>\$ 31,381</b>	<b>16,764</b>	<b>31,381</b>	<b>16,764</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



DENISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 4,762,011	4,242,492	4,188,725	3,647,468
Tuition	1,089,459	949,792	970,408	1,176,857
Other	1,302,002	1,111,703	881,057	620,216
Intermediate sources	0	1,495	1,500	3,400
State sources	10,072,320	9,484,543	8,598,370	7,616,970
Federal sources	1,472,722	1,132,611	1,439,305	910,323
Total	<u>\$ 18,698,514</u>	<u>16,922,636</u>	<u>16,079,365</u>	<u>13,975,234</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 5,746,997	5,737,369	5,517,950	5,312,309
Special instruction	1,797,185	1,876,874	2,271,519	1,742,179
Other instruction	2,935,405	2,494,860	1,936,036	2,294,602
Support services:				
Student services	497,592	499,623	434,464	410,391
Instructional staff services	596,334	502,824	365,182	359,976
Administration services	1,407,915	1,427,585	1,266,606	1,159,764
Operation and maintenance of plant services	1,387,985	1,299,206	1,341,401	1,221,855
Transportation services	730,200	706,862	671,070	687,517
Other support services	0	0	0	16,244
Non-instructional programs	0	0	1,978	0
Other expenditures:				
Facilities acquisitions	6,584,913	1,564,374	970,744	201,172
Long-term debt:				
Principal	460,000	0	0	0
Interest and other charges	315,641	97	0	0
AEA flow-through	600,363	573,992	533,042	499,208
Total	<u>\$ 23,060,530</u>	<u>16,683,666</u>	<u>15,309,992</u>	<u>13,905,217</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATIONS (non-cash)	10.550	FY 07	\$ 49,725
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	101,809
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	427,078
SUMMER FOOD SERVICE PROGRAM	10.559	FY 07	9,383
			<u>538,270</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	356,302
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-GC	48,676
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.011	1701-M	178,136
			<u>583,114</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 07	<u>115,909</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	<u>50,519</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.151	FY 07	<u>9,121</u>
SPECIAL EDUCATION PRESCHOOL GRANTS	84.173	FY 07	<u>375</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 06	7,031
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 07	5,340
			<u>12,371</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (FIRE SAFETY GRANT)	84.215	FY 07	<u>3,681</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION)	84.215	FY 07	<u>450,000</u>

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
READING FIRST STATE GRANTS	84.357	FY 07	<u>135,300</u>
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 07	<u>11,187</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	<u>75,148</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 07	<u>13,720</u>
TOTAL			<u>\$ 2,048,440</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Denison Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Denison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Denison Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 29, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Denison Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Denison Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Denison Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Denison Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Denison Community School District's financial statements that is more than inconsequential will not be prevented or detected by Denison Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Denison Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denison Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Denison Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Denison Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Denison Community School District and other parties to whom Denison Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Denison Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 29, 2008

# **NOLTE, CORNMAN & JOHNSON P.C.**

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### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Denison Community School District

#### Compliance

We have audited the compliance of Denison Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Denison Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Denison Community School District's management. Our responsibility is to express an opinion on Denison Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Denison Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Denison Community School District's compliance with those requirements.

In our opinion, Denison Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

The management of Denison Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Denison Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Denison Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a material weakness.

Denison Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Denison Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Denison Community School District and other parties to whom Denison Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 29, 2008

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Program for Children
  - Individual
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
    - CFDA Number 84.215 - Fund for the Improvement of Education (Iowa Demonstration)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Denison Community School District did not qualify as a low-risk auditee.



DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We are always looking for ways to improve our internal controls and are willing to make changes that improve our situation.

Conclusion - Response accepted.

II-B-07 Check Signatures - We noted during our audit, unauthorized signatures on the District's Agency Fund checks. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - We have reviewed procedures and have implemented recommended changes.

Conclusion - Response accepted.

II-C-07 Payroll Procedures - We noted during our audit that the District is paying a coaching stipend to an employee for services performed at a summer sporting camp; however the stipend is not run through the District's payroll system.

Recommendation - The District should run the stipend through the District's payroll system so the wage can be subjected to the appropriate payroll taxes.

Response - This payment was a reimbursement for expenses incurred by the employee and was incorrectly marked as a stipend. Employees that are coaches for other summer camps are correctly run through payroll.

Conclusion - Response accepted.

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
CFDA Number 10.559: Summer Food Service Program for Children  
Federal Award Year: 2007  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Federal Award Year: 2007  
U.S. Department of Education  
Passed through the Iowa Department of Education

CFDA Number 84.215: Fund for the Improvement of Education (Iowa Demonstration)  
Federal Award Year: 2007  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We are always looking for ways to improve our internal controls and are willing to make changes that improve our situation. We do have a main operator for the bookkeeping computer but we are cross trained and receipts are initially accepted by a different person.

Conclusion - Response accepted.

III-B-07 Free and Reduced Lunch Applications - We noted during our audit that one of the free and reduced lunch applications in our testing were marked as reduced, but actually should have been marked as free.

Recommendation - The District should review the procedures in place for filing free and reduced lunch applications to ensure that the applications are filed correctly. The District should contact the Department of Education to correct the necessary reports.

Response - We will contact the Department of Education correct the necessary reports.

Conclusion - Response accepted.

DENISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.
- IV-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-07 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-07 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students that were tuitioned out was overstated by one student.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - The Department of Education and the Department of Management have been contacted and the error has been corrected and will be noted in our budget preparation documents for fiscal year 2009.
- Conclusion - Response accepted.
- IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-07 Financial Condition - During our audit we noted that the District had two negative account balances in the Student Activity Fund totaling \$1,947.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - Annually we review balances and work with sponsors to meet the goal of a positive balance.

Conclusion - Response accepted.